
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: All Political Subdivisions

FROM: Courtney L. Schaafsma, Commissioner

RE: Reallocation of Property Tax Cap Credits under IC 6-1.1-20.6-9.8

DATE: June 10, 2016

This memo is not applicable to school corporations that received a waiver from protected taxes under IC 6-1.1-20.6-9.9. The Department of Local Government Finance (“Department”) has provided further instructions for those school corporations in separate communication.

The purpose of this memo is to provide taxing units with guidance on the process through which a unit may reallocate its property tax cap impact among its funds pursuant to IC 6-1.1-20.6-9.8(c).

Protected taxes is a mathematical process through which a unit’s debt service funds will not be impacted by a unit’s credits associated with the constitutional 1%, 2%, or 3% property tax caps. The property tax cap credits that should have gone to the debt service funds will instead be applied against the unit’s non-debt service or “unprotected” funds as much as possible. Debt service funds and exempt funds (either voter-approved referendum funds or certain debt services funds in Lake and St. Joseph Counties) are not considered protected for the purposes of property tax cap credits associated with the Over 65 credit from IC 6-1.1-20.6-8.5. The Department’s circuit breaker reports (<http://in.gov/dlgf/9515.htm>) have computed the circuit breaker impact to each fund of a taxing unit assuming the implementation of protected taxes.

When distributing tax revenue, the county auditor will distribute based on the implementation of protected taxes. After receiving a property tax distribution, a taxing unit has the ability under IC 6-1.1-20.6-9.8(c) to allocate the unit’s property tax cap credits among the unit’s unprotected funds (non-debt service and non-referendum funds).

Statute specifically states that the allocation of property tax cap credits among funds must be within the taxing districts in which the property tax cap credit was applied. This is particularly important for taxing units that have funds with different assessed values, as this typically indicates that the funds are not in the same set of taxing districts. Property tax cap credits generated within one taxing district cannot be applied to funds of the taxing unit which do not occur within that taxing district.

In determining the amount of property tax credits to reallocate among funds, the Department reminds taxing units of the following:

- No additional property tax cap credits may be allocated to exempt and protected funds. While these funds may have some property tax cap impact associated with the Over 65 credit or may have had property tax cap credits allocated to them during the original calculation of property tax cap credits, additional property tax cap credits may not be allocated to these funds.
- Funds without property tax levies are not eligible to have property tax cap credits allocated to them.
- Property tax cap credits associated with the Over 65 credit are not eligible for reallocation.

As stated above, the county auditor will distribute the property tax revenue according to the implementation of protected taxes and will not take into consideration any reallocations. It will be the unit's responsibility to properly transfer its property tax revenue among funds in order to implement the reallocation of circuit breaker credits.

Attached to this memo, the Department is providing an Excel spreadsheet and associated instructions. This is a tool for use **only** by those taxing units reallocating their property tax cap credits or for school corporations completing the protected taxes waiver. A taxing unit that is not reallocating property tax cap credits or approved for a protected taxes waiver can disregard these attachments. **This workbook is not an official calculation or certification by the Department.** It is intended to be a tool for taxing units only to determine the required transfers to effectuate the reallocation of property tax cap credits and to assist in the determination of certain values for the 2017 budget forms.

If you have any questions on the information outlined above, please contact Matthew Parkinson, Deputy Commissioner, at mparkinson@dlgf.in.gov or (317) 232-3759.